

Message Text

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ACTION EB-08

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E.O. 11652: N/A

TAGS: EFIN, ETRD, NZ

SUBJECT: GNZ MINISTER OF OVERSEAS TRADE EXPRESSES CONCERN OVER
COMMON FUND UNCTAD PROPOSAL

BEGIN UNCLASSIFIED

1. ON APRIL 20TH THE NATIONAL GOVERNMENT OUTLINED
PUBLICALLY ITS POSITION ON THE UNCTAD COMMON FUND.
THIS WAS THE FIRST SUCH DECLARATION. THOUGH DELIBERATIONS
OF UNCTAD ON THE COMMON FUND HAVE RECEIVED LITTLE PLAY
IN THE LOCAL PRESS THE SPEECH DELIVERED TO THE WANGANUI
ROTARY CLUB BY THE MINISTER OF OVERSEAS TRADE, MR B.
TALBOYS (WHO IS ALSO DEPUTY PRIME MINISTER AND MINISTER
OF FOREIGN AFFAIRS), WAS GIVEN QUITE EXTENSIVE
PRESS PLAY. MR TALBOYS SET DOWN THE GNZ'S CHIEF AREAS
OF CONCERN OVER THE UNCTAD COMMON FUND PROPOSAL. MR
TALBOYS NOTED THAT THE CONCEPT OF SOME KIND OF COMMON
FINANCING FACILITY FOR BUFFER STOCKS ESTABLISHED UNDER
INDIVIDUAL COMMODITY ARRANGEMENTS SEEMED TO HAVE BECOME

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MORE BROADLY ACCEPTABLE TO THE MAJORITY OF DEVELOPED
COUNTRIES. HE STATED THAT A NUMBER OF VERY IMPORTANT,
FUNDAMENTAL DETAILS HAVE YET TO BE WORKED OUT AND THAT
UNTIL THEY HAVE BEEN, A NUMBER OF COUNTRIES INCLUDING
NEW ZEALAND, CONSIDER IT IS SENSIBLE TO TAKE A FAIRLY
CAUTIOUS APPROACH. MR TALBOYS SAID NEW ZEALAND'S ROLE
IN THE NEGOTIATIONS SO FAR HAD BEEN TO STRESS THE NEED

FOR MORE CAREFUL AND MORE DETAILED INVESTIGATION OF THE MANY COMPLEX ISSUES INVOLVED BEFORE THE STAGE WAS REACHED WHERE ESTABLISHMENT OF A COMMON FUND COULD BE CONTEMPLATED.

2. MR TALBOYS SAID THERE ARE THREE MAIN AREAS OF CONCERN TO GNZ OVER THE PROPOSAL. FIRSTLY, GNZ BELIEVES THAT BY PROVIDING UNCONDITIONAL AND FREELY AVAILABLE FINANCE FOR BUFFER STOCKING OPERATIONS, THE COMMON FUND PROPOSAL, IN ITS PRESENT STAGE, DID NOT ENCOURAGE COOPERATION AND RESPONSIBILITY BETWEEN THE CONSUMER AND THE PRODUCER. THE SUCCESS OF THE FUND, GNZ BELIEVES,

RESTS ON ITS FINANCIAL VIABILITY AND DECISIONS ON MARKET INTERVENTION SHOULD BE TAKEN ONLY ON THE BASIS OF STABILIZATION OF PRICES AT LEVELS "CONSISTENT WITH LONG TERM MARKET TRENDS". ACCORDING TO MR TALBOYS DECISIONS TO SUPPORT PRICES AT UNREALISTICALLY HIGH LEVELS FOR THE BENEFIT OF PRODUCERS WOULD RESULT IN LARGE STOCKPILES THAT COULD NOT BE DISPOSED OF EXCEPT AT A LOSS, DEPRESSING AND EXISTING MARKET FURTHER AND DEPLETING THE FINANCIAL RESOURCES OF THE OPERATION. IN SUCH CIRCUMSTANCES, HE ASSERTED, PRICE STABILIZATION GAVE WAY TO PRICE SUBSIDY.

3. THE SECOND CONCERN OVER THE PROPOSAL RESULTED FROM POSSIBLE DISTORTIONS IN THE WORLD ECONOMY RESULTING FROM THE COMMON FUND'S OPERATIONS. MR TALBOYS' DISCUSSION OF THIS POINTED OUT THAT IN LIGHT OF CHANGES LIMITED OFFICIAL USE

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IN CONSUMER TASTES AND THE TYPES OF GOODS AVAILABLE FOR CONSUMPTION, THERE EXISTS THE POSSIBILITY THAT A COMMON FUND COULD BE USED TO SUSTAIN AN ARTIFICIAL LEVEL OF DEMAND FOR ONE PARTICULAR PRODUCT FOR WHICH THE LONG-TERM MARKET DEMAND IS DECLINING. THE EFFECTS OF THIS COULD BE THAT THE ESSENTIAL EFFORT TO RESTRUCTURE AND DIVERSIFY THE PRODUCER COUNTRY'S ECONOMY AWAY FROM DEPENDENCE ON THIS ONE PRODUCT COULD BE DELAYED. THE MINISTER ADDED THAT THE ADJUSTMENT, WHEN IT COMES, AS EVENTUALLY IT MUST, WILL BE MORE PAINFUL.

4. THE THIRD AREA OF CONCERN CITED BY MR. TALBOYS IS THE STRUCTURE OF THE COMMON FUND ITSELF. THE COMMON FUND WOULD NEED TO HAVE ECONOMIES OF SCALE IF IT WERE TO HAVE ANY ADVANTAGE OF INDIVIDUALLY FINANCED COMMODITY ARRANGEMENTS. MR TALBOYS CLAIMED THAT MANY COUNTRIES ARE CONCERNED AT "THE POSSIBILITY OF CREATING AN UNWIELDY AND EXPENSIVE INSTITUTION TO PERFORM AN TASK THAT COULD EQUALLY BE UNDERTAKEN BY SMALLER

BODIES". HOWEVER, MR TALBOYS DID EMPHASIZE THAT GNZ STRONGLY SUPPORTED CURRENT EFFORTS TOWARDS GREATER COMMODITY STABILIZATION. MR TALBOYS SAID THAT NEW ZEALAND, A COUNTRY HEAVILY DEPENDENT ON AN EXPORT MARKET FOR A FEW AGRICULTURAL PRODUCTS, THE VALUE OF WHICH FLUCTUATED, SYMPATHIZED WITH DEVELOPING COUNTRIES ATTEMPTING TO DEVELOP MEASURES TO BRING GREATER STABILITY TO THEIR EXPORT TRADE AND THUS ASSISTING IN THEIR INTERNAL DEVELOPMENT. WHAT NEW ZEALAND WANTED, ACCORDING TO MR TALBOYS, WERE SOLUTIONS THAT WERE ACCEPTABLE TO BOTH DEVELOPED AND DEVELOPING COUNTRIES AND IN FUTURE NEGOTIATIONS IT WOULD PLAY A FULL PART IN SEEKING THESE.
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5. COMMENT: MR TALBOYS FRANK, FULL STATEMENT EXPRESSING LIMITED OFFICIAL USE

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CONCERN AT SOME OF THE PROPOSALS IN UNCTAD TO STABILIZE COMMODITY TRADE (AND GUARANTEE BETTER RETURNS TO PRODUCER COUNTRIES) IS A REASSURING INDICATION OF THE MATURE MANNER IN WHICH GNZ IS APPROACHING THESE ISSUES. AS COULD BE EXPECTED, THE SPEECH GENERATED SOME CRITICISM, MOSTLY FROM THE OPPOSITION PARTY AND A FEW SPECIAL GROUPS WHICH FEEL NEW ZEALAND SHOULD SUPPORT VIRTUALLY ANY MOVE TO STABILIZE COMMODITY MARKETS WHEN THIS MIGHT BE USED TO HELP NZ'S DIFFICULT SITUATION.

6. EMBASSY IS FURNISHING COPIES OF THE FULL SPEECH TO ALL ADDRESSEES.
KILLGORE

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